

Date: May 20, 2020
To: School District Audit Firms
From: DPI School Financial Services Team
Subject: Information for 2019-2020 School District Audits

This letter summarizes information on new and updated requirements for fiscal year 2019-2020 audits of Wisconsin public school districts. Please make sure it is available to all individuals within your firm performing school district audits.

COVID-19 Related Information

Various information related to COVID-19 has been sent to districts via the School Finance Bulletin. Please review School Finance Bulletins for COVID-19 information that may be relevant to auditing school districts. School Finance Bulletins can be found at:

<https://dpi.wi.gov/sfs/communications/bulletins>

The department has put together and continues to update a COVID-19 School Finance FAQ. Each individual Q&A is dated and will be noted as an update if the answer has changed. Please review the School Finance FAQ for COVID-19 information that may be relevant to auditing school districts. The School Finance FAQ can be found at:

<https://docs.google.com/document/d/19NREEAPSiJlfaqVcETmHyykTPKi5jrDJbj9lmesl74>

2019 Act 185, the state COVID-19 response bill, includes a requirement for school districts to report on several aspects of the COVID-19 disruption, including the impact on expenditures. DPI will release the report form in June, which will be due on November 1, 2020. This is a district requirement, not an audit procedure or addition to the audited financial statements, but we want to make you aware of it in case a district asks for any guidance or comment on their submission.

Finally, Emergency Rule 2003 expands the ability of districts to offer online summer school for all grades K-12, in addition to the existing option to offer online courses for high school credit to students in grades 7-12. The SFS Team has released a short guidance document on determining minutes of instruction for summer pupil membership. The guidance document parallels the membership audit program and is not intended to be more restrictive; DPI's intent with the rule is to offer districts flexibility in developing summer offerings for 2020. The "Counting Minutes of Online Instruction for Summer 2020" guidance document is on our summer school page at:

<https://dpi.wi.gov/sfs/children/summer-school>

Auditor Mailings

We highly recommend subscribing to the SFS auditor listserv in order to receive important communications. To subscribe, visit:

<http://dpi.wi.gov/sfs/finances/auditors/listserve/overview>

Audit Program Updates

The DPI state audit programs have been updated for fiscal year 2020. The newest versions of these documents are available at:

<https://dpi.wi.gov/sfs/finances/auditors/audit-programs>

General Aids Audit Program

The format of the audit program has been updated in order to help provide clarity to audit procedures. Audit procedures have remained similar to the prior year.

State Special Education and School Age Parents Audit Program

DPI audits the staff assignment information reported by an LEA in WISEstaff against each individual's licensure status at the time the audit is conducted. Auditors are not required to further investigate the license status of any individual identified in the NVL report, but rather just to report the information compiled through the audit procedures.

The audit program for Special Education and School-Age Parents Aid has been revised. Revisions include the following:

- Compliance Requirement 1-1 has been updated so that the representation letter must now be signed by the authorized WISEstaff report user or District Administrator.
- Compliance Requirement 2-4 has been updated to clarify situations in which a student riding both regular and specialized transportations routes in the same year may both have eligible costs for Special Education Aid and be counted for Pupil Transportation Aid. Auditors should only issue a finding for this compliance requirement if students transported only on a specialized route for an entire year were counted for Pupil Transportation Aid.

To correspond with the change in Compliance Requirement 1-1, the sample Special Education Management Representation Letter has also been updated. The sample letter can be found at:

https://dpi.wi.gov/sites/default/files/imce/sfs/doc/Spec_Ed_Rep_Letter_May_2020_Version.doc

Pupil Transportation Audit Program

Compliance Requirement 2 has been updated to reflect the change in law allowing a student with IEP-required transportation who rode a regular bus route for at least part of the year to be counted for Pupil Transportation Aid. Students who are exclusively served by specialized transportation should continue to be excluded from the PI-1547 Pupil Transportation Report.

Per Pupil Aid Audit Program

The Per Pupil Aid program provided \$742 per member in 2019-2020, which was paid on March 23, 2020. Revenues are coded to source 695 for FY20 and the state ID# is 255.945. The computation of per pupil aid by district can be found at:

<https://dpi.wi.gov/sfs/aid/categorical/per-pupil-aid>

Please note that the three-year average membership data used in this aid calculation may differ from the final revenue limit worksheet if there were membership audit adjustments after aid payments were determined. Instructions for accessing the revenue limit worksheet used for aid determinations are in the Per Pupil Aid audit program.

Community Service Fund Audit Program

The Community Service Fund Audit program includes the following revisions:

- Audit procedure 5 has been updated to clarify language regarding Fund 80 reimbursing Fund 10 for community services and programs using District grounds, buildings, facilities, and/or equipment.
- Audit procedure 6 has been added to include testing of Fund 10 reimbursements from Fund 80 when grounds, buildings, facilities, and/or equipment purchased by Fund 80 are used for pupils in regular curricular or extracurricular programs.

Per Wisconsin Statute §120.13(19), the school board may not expend moneys on ineligible costs, as defined by DPI by rule. Costs associated with such programs and services shall not be included in the school district's shared cost. Therefore, when Fund 80 uses general fund property, the general fund must be reimbursed use fees for utilities and other operational costs. In order to do this, the school board should have a policy that sets appropriate rental rates that are similar to what an outside entity would be charged. Fund 80 is then charged the board approved rental rate for all usage. Documentation to show actual, additional costs for Fund 80 should be available for auditor review.

Per Wisconsin Statute §120.13(19), community programs and services are outside the regular curricular and extracurricular programs for pupils. Therefore, when the District uses Fund 80 property for regular or extracurricular programs, Fund 80 must be reimbursed use fees for utilities and other operational costs by the general fund. The same steps are used to determine the fees charged and supporting documentation should be available for auditor review.

For questions related to Fund 80 allowable costs, contact Bruce Anderson at bruce.anderson@dpi.wi.gov or 608.267.9707.

As with previous years, auditors will report identified ineligible expenditures on the PI-1506-AC for 2019-2020 audits. Costs that have been reclassified prior to filing do not need to be reported on the PI-1506-AC.

Compliance with State Statutes

Two procedures have been added to the Compliance with State Statutes program for testing of Fund 46. A summary of the additional procedures is as follows:

- Verify there are no Fund 46 expenditures incurred before 5 years and 1 day after the creation of the capital improvement trust fund.
- Verify expenditures incurred in the long-term capital improvement trust fund are only for purposes outlined in the board approved plan.

Programs without an Audit Program

Auditors may encounter DPI programs that require testing which do not have an audit program. The auditor should use the document titled Programs without a Compliance Supplement. This document is available at:

<https://dpi.wi.gov/sfs/finances/auditors/audit-programs>

State Single Audit Guidelines

The Wisconsin State Single Audit Guidelines Main Document is available at:

<https://doa.wi.gov/budget/SCO/2015%20SSAG%20Main%20Document%20Revised%206-2016.pdf>

The DPI Appendix to the Guidelines is available at:

<https://doa.wi.gov/budget/SCO/DPI%20Appendices%20for%20SSAG%202017%20Revision%20%28002%29.pdf>

Office of Management and Budget (OMB) Compliance Supplement

The 2020 OMB Compliance Supplement has not yet been released. OMB has stated its goal is to issue the final Supplement by the end of June 2020. However, this could change due to the current COVID-19 situation. At present it is unknown whether the Compliance Supplement will include any items related to CARES Act funding for schools.

The 2019 Compliance Supplement remains available at:

https://www.whitehouse.gov/wp-content/uploads/2019/09/2-CFR_Part-200_Appendix-XI_Compliance-Supplement_August-2019_FINAL_v2_09.19.19.pdf

Various Program & Payment Information

General Aid Payment Information

The June 15th and June 22th aid payment information worksheet will be posted to the Aid Payment Information webpage. The worksheet summarizes the district's June general aid payments and any additional state aids withheld throughout the fiscal year as a result of open enrollment, choice and charter programs, revenue limit penalties, or other reasons. It is designed to assist with the proper recording of these payments and will be available at:

<http://dpi.wi.gov/sfs/finances/aids-register/aid-payment-adj-exp>

The worksheet will be updated after July 1 to reflect the delayed Equalization Aid payment and final 2019-20 Open Enrollment amounts.

Exempt Computer Aid

School districts will receive payments of aid for exempt computers from the Department of Revenue (DOR) on July 27, 2020. These payments are recorded as 2019-20 Fund 10 revenue under source 691, along with a June 30, 2020 receivable (715500 Due from State). Payment amounts will be posted when received from DOR at:

<http://dpi.wi.gov/sfs/limits/computer-aid>

Early College Credit Program

Claims for the Early College Credit Program are open to districts through July 15. Because there are limited funds available for reimbursement, it is not possible for a district to estimate the associated revenue, nor to book a receivable at year end. WUFAR coding for this activity should be source 619 and project 445.

TEACH Grants

The Wisconsin Department of Administration has TEACH grants available for school districts. These grants are not subject to the State Single Audit and therefore have no State ID Number. Revenues are recorded as source 699 if directly received by the district, or source 315 or 515 if passed through another district or CESA.

Teacher Training Grants should not be recorded in Funds 23 or 93. These were used to account for programs funded by the TEACH Wisconsin Board prior to 2012.

More information is available at:

<http://teach.wisconsin.gov/>

Details on the accounting for these grants, including proper coding, are available at:

<http://dpi.wi.gov/sfs/finances/wufar/accounting-issues-examples>

Medicaid School Based Services Program

The Wisconsin Department of Health Services (DHS) will provide a list of payments made between July 1, 2019 and June 30, 2020 for the School Based Services Program sometime after July 1, 2020 on the State Single Audit Guidelines (SSAG) website. This information is used to determine the amount of funding paid to each LEA also serves as a confirmation of payments by DHS. The SSAG website is at:

[https://doa.wi.gov/Pages/State-Single-Audit-Guidelines-\(SSAG\)---2017.aspx](https://doa.wi.gov/Pages/State-Single-Audit-Guidelines-(SSAG)---2017.aspx)

Property Tax Optional Tax Settlement Date

A non-statutory provision in the state COVID-19 response bill gives counties the option of waiving penalties for late 2020 property tax payments through October 1, 2020 which would create a new final settlement date of September 20, 2020. This could have an affect on District's property tax revenue recognition in their audited financial statements if the district does not use an extended availability period for unusual circumstances. Due to revenue limits and state aids, the DPI is requiring September 20, 2020 tax settlements be recorded as 2019-20 property tax revenue in the PI-1505 Annual Report. For additional information, see the May 1, 2020 auditor listserv at:

<https://dpi.wi.gov/sfs/finances/auditors/listserve/auditor-messages-20>

Governmental Accounting Standards Board (GASB) Standards Implementation Delay

The GASB has issued Statement 95 which postpones the effective dates of recently issued GASB Statements and Implementation Guides. GASB 84 (Fiduciary Funds) and its associated Implementation Guide (IG) 2019-2 are postponed to 2020-21. GASB 87 (Leases) and IG 2019-3 are postponed to 2021-22.

The GASB encourages and permits early implementation of these statements. Districts are permitted to implement GASBS 84 for 2019-20. However, GASB statements cannot be partially

implemented. Districts that have started but not completed implementation will need to complete the implementation or reverse what partially completed for 2019-20. Implementation of GASB statements must be disclosed in the audited financial statements.

Additional information on GASB Statement 95 is available at:

https://gasb.org/cs/Satellite?c=GASBContent_C&cid=1176174602308&pagename=GASB%2FGASBContent_C%2FGASBNewsPage

[GASB 84 Implementation Journal Entries for SAFR Reporting](#)

The implementation of GASB Statement 84 requires the restatement of beginning net position and/or fund balance. In the PI-1505 Annual Report, all beginning balances must tie to prior year ending PI-1505 balances. In the PI-1505, the district must record the amount of the restatement for GASBS 84 implementation as a revenue or expenditure in the current year using source or object 969 Other Adjustments instead of restating beginning balances. In the audited financial statements, the beginning balances must be properly restated and the source or object 969 adjustment must be removed.

District sample journal entries for implementing GASBS 84 in the PI-1505 can be found at:

<https://dpi.wi.gov/sites/default/files/imce/sfs/xls/gasb-84-je-template.xlsx>

[Self-Funded Insurance Footnote](#)

Per Wisconsin Statute §120.14, the school district audit shall include information concerning the District's self-insurance plan, as specified by the commissioner of insurance. The Office of the Commissioner of Insurance (OCI) has updated the information they would like included in the self-funded insurance footnote. The updated self-funded insurance footnote template can be found at:

https://dpi.wi.gov/sites/default/files/imce/sfs/doc/self_fn_oci.doc

For questions related to the self-funded insurance footnote disclosure, contact OCI staff Lisa Brandt at lisa.brandt@wisconsin.gov.

[Option to Report Bid Premiums as Deferred Revenue](#)

For DPI reporting purposes, a district can record bid premiums in excess of the current year debt service payments for the issue generating the bid premium as deferred revenue in the year of receipt. The bid premium, however, must be recorded as a revenue in Source 968 in the subsequent year. This is a regulatory departure from generally accepted accounting principles (GAAP) that is allowed for SAFR reporting. The audited financial statements must follow GAAP which requires bid premiums to be recorded as an other financing source in the year received. The DPI expects to see a difference between the "Fund Statements Fund Balance" and "Regulatory Fund Balance" columns for the amount of the deferred bid premium in the PI-1506-FB.

[Revenue Recognition for Donations](#)

During DPI review of financial information, we noted a number of districts that have deferred revenue recorded for voluntary non-exchange transactions, such as gifts, donations, and/or grants that have already been received. Many of the district explanations for the deferral of this revenue refer to purpose restrictions of the voluntary non-exchange transaction and/or that the funds have

not been expended in the fiscal year.

Based on GASB Statement 33, if the district has already received the donation/grant, it is measurable and available. Additionally, districts simply not expending the funds during the fiscal year, does not meet the requirements of a time restriction. Therefore, if there are no time restrictions, revenue should be recorded in source 291 in the year it is received. If a district is deferring voluntary non-exchange revenue because of a purpose restriction or because the funds have not been expended during the fiscal year, the application of revenue recognition is not in accordance with GAAP.

DPI has had discussions with districts that may have been improperly recording voluntary non-exchange transactions and expects voluntary non-exchange transactions to be properly recognized in both the PI-1505 and audited financial statements.

Food Service Commodities Report Summary

Auditor instructions for obtaining a summary of the commodity allocation for each LEA are now available. Step number 9 of the document includes additional instructions if problems are encountered printing the summary. The instructions can be downloaded at:

<https://dpi.wi.gov/sites/default/files/imce/sfs/doc/2016%20Auditor%20Instructions%20for%20Accessing%20CARS%20Report.doc>

Wisconsin Retirement System (WRS) GASB 68 and Local Retiree Life Insurance Fund (LRLIF) GASB 75 Information

The Department of Employee Trust Funds (ETF) will provide information to assist districts and auditors in implementing GASB 68 and 75 requirements for the WRS and LRLIF. This will include employer schedules, model note disclosures, required supplementary information, and model journal entries.

ETF's GASB 68 webpage is at:

<https://etfonline.wi.gov/ETFGASBPublicWeb/gasb68.do>

ETF's GASB 75 webpage is at:

<https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do>

Schedule of Expenditures of Federal Awards and State Awards

The Uniform Grant Guidance requires that the Schedule of Expenditures of Federal Awards (SEFA) include the name of the pass-through entity and an identifying number assigned by the pass-through entity. The Wisconsin State Single Audit Guidelines also includes the requirement for a pass-through identification number. A listing by school district of all federal and state awards paid by DPI with corresponding identifying numbers is available at:

<https://apps6.dpi.wi.gov/AID>

The "Additional Audit and Reporting Requirements" document in the Wisconsin School District Audit Manual includes a requirement that Schedule of Expenditures of Federal and State Awards include reconciling information on beginning and ending accrued receivables and/or unearned revenue, as well as cash received. More details are on page 2 of the document at:

<https://dpi.wi.gov/sfs/finances/auditors/audit-manual#C%20-%203>

School Finance Reporting Portal (SAFR) Access

If there have been changes to the school districts you are auditing this year or in your firm contact information, email us at dpifin@dpi.wi.gov so we can update auditor access to the SAFR reporting portal. SAFR is accessed at:

<https://dpi.wi.gov/sfs/reporting/safr/overview>

WISEgrants Portal

Budgets and claims for most federal grants administered by DPI, including Title I-A and II-A as well as IDEA, are submitted in the WISEgrants web portal. Claims automatically populate with the last approved budget. School districts have the ability to assign auditors user credentials to WISEgrants to review budgets and claims. A WAMS ID is required for WISEgrants access. Once you have a WAMS ID, contact the district about being assigned as a WISEgrants user.

WISEgrants is located at:

<https://dpi.wi.gov/wisegrants/web-portal>

The left side of the page has general and auditor-specific technical assistance.

Individuals with Disabilities Education Act (IDEA) Maintenance of Effort (MOE)

The Special Education Team has information for reviewing IDEA's MOE requirement and the MOE monitoring utility in WISEgrants at:

<http://dpi.wi.gov/sped/educators/fiscal/maintenance-of-effort>

For questions related to an LEA's MOE compliance, contact Rachel Zellmer on the DPI Special Education Team at rachel.zellmer@dpi.wi.gov.

Charter School Authorizer Reporting

Charter school authorizers are required to submit annually a report to the State Superintendent and the Legislature that includes all of the following:

1. An identification of each charter school operating under contract with the authorizer, each charter school that operated under a contract with the authorizer but had its contract non-renewed or revoked or that closed, and each charter school under contract with the authorizer that has not yet begun to operate.
2. The academic and financial performance of each charter school operated under contract with the authorizer.
3. The operating costs the authorizer incurred while fulfilling its statutory duties, detailed in an audited financial statement prepared in accordance with generally accepted accounting principles.
4. The services the authorizer provided to the charter schools under contract with the authorizer and an itemized accounting of the cost of the services.

Please note that there is one GAAP based schedule that should be included in the district's audited financial statements.

Information for charter school authorizers, including a report template and technical assistance document, is located at:

<https://dpi.wi.gov/sms/charter-schools/information-authorizers>

Corrective Action Plans

A corrective action plan to address each audit finding is required as part of the reporting package. Plans should include the name(s) of those responsible for the corrective action, what action is planned (or a detailed listing of mitigating controls), and the plan's anticipated completion date. Corrective action plans are required in order for us to review and address the findings reported. If you or the district were asked for more information during our reviews of 2018-2019 findings reported as of June 30, 2019, please incorporate that information into any findings that reoccur in 2019-2020 as of June 30, 2020.

Peer Review Letters

Auditors must undergo an external peer review at least once every three years and make the report available to granting agencies upon request. DPI reviews peer review reports for all firms performing school district audits. If you have not submitted your most recent peer review report to DPI, please email it to dpifin@dpi.wi.gov as soon as possible.

Important Dates/Timeline

The timeline for 2019-2020 reporting is as follows:

<u>PI # / Report Title</u>	<u>Who Submits</u>	<u>Open Date</u>	<u>Due Date</u>
PI-1505-AC Aid Certification	District	7/13/2020	8/28/2020
PI-1506-AC Auditor Aid Certification	Auditor	7/13/2020	9/11/2020
PI-1506-FB Auditor Ending Fund Balance	Auditor	7/13/2020	9/11/2020
PI-1505 Annual Report	District	7/13/2020	9/18/2020
PI-1505-SE Special Education Annual Report	District	7/13/2020	9/18/2020
Special Education No Valid License/Questioned Cost Worksheet	Auditor	7/13/2020	9/18/2020
ESSA School Level Annual Report	District	7/13/2020	10/2/2020
Audited Financial Statement Report Package	Auditor	7/13/2020	12/1/2020

Audited financial statement report packages are submitted to dpiauditreports@dpi.wi.gov. They must include the following:

- Audited Financial Statements
- Single Audit Report (if separate)
- Communication with Those Charged with Governance
- Management Letter
- Corrective Action Plans, if applicable.

Do not submit Data Collection Forms to DPI. We no longer accept scanned, non-searchable audit reporting packages. All audit reporting package documents **must** be unencrypted, unlocked and in a text-searchable PDF format.

Conclusion

For technical assistance questions regarding audits or their requirements, [contact a School Financial Services Team Auditor](#).

- The DPI School Financial Services Team